

EXECUTIVE CHAMBERS

HONOLULU

APRIL 30, 2004

STATEMENT OF CONCERNS REGARDING HOUSE BILL NO. 1800

Honorable Members  
Twenty-Second Legislature  
State of Hawaii

I will allow House Bill No. 1800, "A Bill for an Act Relating to the State Budget," to become law on April 30, 2004, without my signature. This action is taken pursuant to Section 16 of Article III of the State Constitution.

This bill provides \$7.9 billion in total operating appropriations, including \$3.9 billion in general fund appropriations for fiscal year 2004-2005. This bill also proposes expending \$1.3 billion for capital improvement projects, of which \$566 million would be funded through the issuance of general obligation bonds.

House Bill No. 1800 represents the largest part of the fiscal puzzle that is being pieced together in the final days of the Legislative session. But it does not represent the total picture, and therein lies the problem. There are over 50 appropriations bills and over 15 revenue bills in various stages of enactment that will impact the State's bottom line. Until all of these various proposals are acted upon, taxpayers will not know what the total price tag will be.

Further, House Bill No. 1800 reflects only half the fiscal equation. It is a spending plan. It does not

provide an approach or a plan that takes into consideration the long term financial health of our State, especially the projected deficits of the following fiscal biennium.

Our State is at a critical juncture in its economic recovery. A hallmark of my Administration has been fiscal responsibility. As such, in December 2003 my office provided a clear, well thought out, and prudent budget. It also included a balanced financial plan that covered a six-year period between now and fiscal year 2009. This budget was subsequently updated in mid-April to reflect what the State could responsibly afford in collective bargaining raises for the HGEA and other bargaining units still under negotiation at that time.

In its rush to pass House Bill No. 1800, the Legislature ignored our mid-April budget plan. The Legislature also made budget adjustments that had no logic, such as deleting 52 permanent and 27 temporary full-time federally funded positions. This bill also eliminates funding for the John A. Burns School of Medicine which is scheduled to open in Kakaako in the spring of 2005. Additionally, House Bill No. 1800 adversely impacts funding for a court-mandated program and did not fund repairs for the Molokai irrigation system. As a result of the Legislature's hasty action, we were asked by the Chairman of the Senate Ways and Means Committee to submit a "fix-it" budget bill, which we did last week.

We are now at the deadline to take action on House Bill No. 1800. Ironically, this is the same day the Legislature is considering the "fix-it" budget bill my Administration submitted on April 26, 2004.

What this sequence of events illustrates is that the Legislature has acted without a comprehensive, multi-year financial framework. Continuing in this vein is simply not the responsible thing to do. Furthermore it leads to short term fixes that result in long term adverse consequences.

It is the Governor's role to exercise fiscal discipline in the management of State resources. I take this role seriously. This means that not all of the programs funded in House Bill No. 1800 can or will receive the amounts appropriated in this bill. It means that some high profile and popular programs may be reduced and others may have to wait while more urgent or legally mandated programs are funded first. And it means that not all the organizations expecting grants-in-aid and CIP projects will get the dollars they lobbied for this year.

We are on the verge of a bright future in the State of Hawaii. For the first time in years economic indicators are looking strong, unemployment is at a low of 3.8 percent, the business community is optimistic, the outside financial community has given us good bond ratings, and our citizens feel a bit better off. As former Governor Ariyoshi aptly pointed out, "We have the opportunity to manage when times are good. We can only react when times are bad."

It is in these good times that it becomes essential to manage the State's resources in a prudent, conservative, but sensitive manner. By carefully exercising the control of funds appropriated by House Bill No. 1800, I will work to maintain the reputation of sound

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fiscal management our state is now beginning to enjoy. It is for these reasons that I am allowing House Bill No. 1800 to become law as Act 41, effective April 30, 2004 without my signature.

Respectfully,

LINDA LINGLE

Governor of Hawaii